Here’s hoping that President Obama isn’t in Kansas anymore.  Last week when [he was in Kansas](http://www.washingtonpost.com/politics/president-obamas-economic-speech-in-osawatomie-kans/2011/12/06/gIQAVhe6ZO_story.html), he decried income inequality and the decline of the middle class.  Fortunately [inequality has decreased](http://online.wsj.com/article/SB10001424052970204630904577062661910819078.html?KEYWORDS=inequality) under his presidency.  If only making rich people worse off helped everyone else, the economy would be booming – which, of course, it isn’t.

President Obama’s speech got me thinking.  I wonder what economic policies I would propose if I purposely wanted to destroy the middle class’s economic welfare.  Of course, before doing so I need to define the middle class.  President Obama’s working definition of the middle class seems to be everyone making under $250,000.  There is nothing “middle” about everyone under some income level.

He did vary from his normal definition during this speech to lament how much harder it was for the poorest to gain entry into the middle class.  Of course, he illustrated this as evidence of a decline in the middle class.  That would mean that if it is now harder to join the top 20%, then that is evidence of the decline of the rich.  It must not have dawned on him that if the poor are having a harder time joining the middle class, it may be a sign that the welfare safety net has turned into a welfare spider web whose clutches are difficult to throw off.

A common definition of the middle class is to include the 20th to 80th percentile of income earners.  That leaves the bottom 20% of income earners as “the poor” and the top 20% of income earners as “the rich”.  In 2009, the middle class is thus defined as households who made [between $20,453 and $100,000.](http://irregulartimes.com/index.php/archives/2010/09/16/new-2009-census-data-income-down-for-the-poor-down-for-the-middle-class-up-for-the-rich-in-the-usa/)  The top 5% (the super rich) earned $180,000 a year or more.  To truly destroy the middle class, you would want their incomes to actually go down.  Middle class incomes have in fact risen over the last generation, and have done so at a faster rate than the incomes of ‘the poor’.  This is evidence that the middle class is fairing much better than those who depend on government handouts.

Destroying the middle class isn’t easy, but it can be done.  Here is a ten step process to destroy the middle class.  It is guaranteed to work, or your money back.

1. Increase the national debt – Higher sovereign debts slow future economic growth.  Less economic growth means fewer jobs and higher unemployment rates for the middle class.  President Obama has overseen a larger increase in the US national debt than any President in US history during the first three years of their administration[.  As a percentage of GDP his budget deficits are the highest since WWII.](http://www.cbo.gov/doc.cfm?index=12316)  Even the debt-buster presidencies of Reagan and Bush Jr. ran deficits only half as large as Obama’s.  Only President Obama can mention, as he did in his Kansas speech, the need to reduce the deficit and extend the payroll tax holiday (in the same paragraph no less).

2. Increase marginal tax rates - Temporary tax cuts don’t spur job creation.  They never have.  (Which is why the last payroll tax cut was pointless and why extending it will only bankrupt Social Security and Medicare faster).  Only permanent reductions in marginal tax rates spur job creation.  Higher debt levels mean permanently higher marginal tax rates and therefore slower economic growth.  Attempts to lower the deficit by higher tax rates only work to slow economic growth and increase joblessness.  Nobel Laureate, [Edward Prescott, long ago showed](http://www.minneapolisfed.org/research/QR/QR2811.pdf) that high marginal tax rates discourage work.

3. Increase the size of government and pay government employees more than their private sector counterparts - This will encourage the best and the brightest to avoid job creation and join the ranks of unionized federal employees.  Then don’t reward them based on merit, so you effectively discourage the best and brightest from working at all.  In 2009, the average compensation package (pay plus benefits) for public sector employees was [$123,049 compared to just an average of $61,051](http://www.downsizinggovernment.org/overpaid-federal-workers) in the private sector.  An average two public employee household is therefore not even in the middle class (average public sector pay without benefits exceeded $60,000).  Our country has come up with a new slogan: Those who can, work for the government.  I and my wife are government employees.  I guess it should not be a surprise that we then fell into the super rich (top 5%) category in 2009.

Deprive people of meaningful government services such as education and infrastructure by protecting public sector unions at the expense of the middle class.  Pay teachers based on tenure rather than merit.  Pay above market prices for public construction projects to appease labor unions.  Claim that all increases in government spending are stimulative.

4. Trap the middle class in the same welfare net that has been used to ensnare the poor.  Enact sweeping middle class entitlements (Obamacare).  Hook middle class farmers on subsidies (particularly the kind that pay them not to grow food so that we can drive up food costs for the middle class).  Hook middle class students on nationalized student loans.  Hook homeowners on the interest deductibility of home mortgages so we can divert capital out of the productive sector and into housing.  Give the middle class everything they ask for without work.  Tell them that hard work no longer pays (as the President did in Kansas).

5. Attack middle class morality (see My Fair Lady).  Use the bully pulpit to say that all personal/cultural decisions are equally good.  It is virtually impossible to be in the poorest quintile if you do the following: graduate from high school, don’t have children out of wedlock, get and stay married, and don’t break the law.  For the record, a couple each with a minimum wage job place themselves in the middle class in America.  Yep, no college degree required.  You can flip burgers your whole life and still be better off than the bottom 20%.  This of course illustrates why incomes for “the poor” rise so slowly.  If you don’t work, you don’t have an income, so your income cannot grow.

6. Regulate middle class jobs out of existence.  Don’t include job losses in the [cost benefit analysis of environmental regulations](http://www.economist.com/node/21534767).  Stall shovel ready jobs like the Keystone pipeline so that Canada will ship its oil to China instead of to the US.  Sign the US up for a [global climate court.](http://www.foxnews.com/politics/2011/12/10/un-floats-global-climate-court-to-enforce-emissions-rules/)  Make sure companies have an incentive to go private to avoid Dodd-Frank and other financial reporting.

7. Destroy the value of the US dollar.  The average middle class American has virtually all of their wealth in US dollar denominated assets. Don’t stop at QE1 and QE2.  Robert Mugabe effectively destroyed Zimbabwe’s middle class through QEinfinity.

8. Have the government pick economic winners and losers.  Let politicians decide which companies are “enlightened” enough (Solyndra) to gain access to the federal treasury.  Teach the middle class to sing (lobby) for their supper.  Soon they’ll start believing that the government is the source of job creation rather than their own initiative.

9. Support trade restrictions.  If you want to hurt the middle class, convince them that it is against their interests to buy “underpriced” goods.  Make sure they overpay for “locally” made goods so that their incomes won’t buy as much stuff.  For that matter, tell them that Santa Claus is of the devil (he does wear red).  How dare he deliver free toys to kids when unionized US toymakers would happily sell toys at inflated prices!

10. Heavily restrict legal Immigration while failing to enforce laws against illegal immigration.  Make it difficult for farmers to get help harvesting crops.  Make it difficult for tech companies to hire foreign engineers.  Give people an incentive to break laws in order to feed their families.

After comparing my list of how I would destroy the US middle class to the current policies the US is pursuing, I find a lot of overlap.  The surprise shouldn’t be that the middle class is not faring better; it should be that they aren’t faring worse.  Maybe another five years of these policies will do the trick.